ST. LOUIS AREA INSURANCE TRUST

AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Years Ended June 30, 2018 and 2017

ST. LOUIS AREA INSURANCE TRUST

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
St. Louis Area Insurance Trust

We have audited the accompanying financial statements of St. Louis Area Insurance Trust (a Missouri self-insurance trust), which comprise the balance sheets as of June 30, 2018 and 2017, and the related statements of revenues, expenses, and changes in members' fund balance, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Louis Area Insurance Trust as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 4, Loss Development Information on pages 17 and 18, and Loss and Loss-Adjustment Expenses Liabilities by Contract Type on page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

UHY LLP

St. Louis, Missouri
November 27, 2018

This Management's Discussion and Analysis is to assist users of the audited financial statements of St. Louis Area Insurance Trust (SLAIT) in understanding its operations.

Overview of the Financial Statements

The basic financial statements are presented on the accrual basis of accounting. The three basic financial statements presented are as follows:

Balance Sheet

This statement presents information reflecting SLAIT's assets, liabilities, special funds and members' fund balance. Members' fund balance represents the amount of total assets less total liabilities and special funds.

Statement of Revenues, Expenses, and Changes in Members' Fund Balance

This statement reflects SLAIT's revenues and expenses during the fiscal year. The major source of revenues is members' required contributions, while the major expenses are workers' compensation, general liability, and health claims, which are referred to as losses and loss-adjustment expenses. The statement also reflects changes in members' fund balance.

Statement of Cash Flows

The statement of cash flows reflects cash flows from operating and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the year.

Notes to Financial Statements

The notes provide the summary of significant policies and additional information that is essential in understanding the data provided in the basic financial statements.

Supplementary Information

In addition to the financial statements and accompanying notes, these reports and schedules present certain required supplementary information concerning claim development and loss reserves.

Financial Highlights

Total assets of SLAIT decreased approximately $1.2 million during the course of the 2017-2018 policy year, total liabilities increased approximately $3.4 million, and fund balance decreased by more than $4.5 million. Required contributions for the 2017-2018 policy year were approximately $2.2 million more than the prior year at $34.4 million. Health contributions increased by approximately $1.3 million, or 5.53%, due to an overall premium increase and the addition of one new member effective December 1, 2017. Workers' compensation contributions increased approximately $850,000 or 12.03%. Liability contributions increased by approximately $131,000 or 5.80%. Investment income increased to approximately $330,000 from approximately $201,000. Total revenues were up by approximately $2.4 million.

Expenses for SLAIT increased by approximately $2.9 million compared to the prior year mostly due to increases in losses and loss-adjustment expenses. The primary driver of the increased losses was health coverage, where claims increased by approximately $3.4 million. This increase was partially offset by a decrease in workers' compensation and liability claims of approximately $352,000. The expense for excess workers' compensation insurance increased approximately $85,000 or nearly 13%, primarily due to two excess claims in the 2016-2017 policy year. Expenses exceeded revenues for the current fiscal year by $4,578,049; up more than $772,000 from prior year. Thus, the fund balance for SLAIT decreased from $8,351,532 to $3,773,483. In 2017, the Board approved a $1,258,339 return of contribution to the members related to health plan results in the 2010-2011 policy year. In 2018, the Board approved an additional $1,000,000 return of contribution to the members related to the 2011-2012 health plan policy year.

The ultimate workers' compensation loss forecasts at June 30, 2018 were approximately $4.40 million higher than one year ago, with increases of approximately $750,000 in the 2015-2016 policy year and $1.96 million in the 2016-2017 policy year. The 2017-2018 estimate added $1.57 million to the increase. All other years combined increased by approximately $120,000. For liability coverages, the ultimate loss forecasts increased approximately $1.23 million from a year ago. The largest increases were $510,000 in 2011-2012 and an estimated $825,000 was added from 2017-2018. All other years combined decreased by approximately $105,000.

The 2017-2018 policy year was the ninth year of the SLAIT health program with now 20 members and approximately 2,160 employees and 4,900 members receiving health coverage from SLAIT. The health program took in approximately $24.1 million in contributions, incurring approximately $20.2 million in claim costs. One hundred sixteen claimants, less than 3% of the total members had claims exceeding $25,000. These claimants were responsible for 37% of the claims payments paid by the Trust. With investment income of approximately $216,000 and administration costs of more than $2.1 million the health program had a surplus of approximately $2.0 million for the year.

Budgetary Highlights

Looking forward to the 2018-2019 policy year, the budgeted workers' compensation and liability contributions will increase by $585,000 to $10.50 million. The budgeted workers' compensation contribution was increased by $425,000 and the budgeted liability contribution was increased by $160,000. Budgeted losses decreased by $1.29 million for workers' compensation and decreased by $745,000 for liability coverage compared to the 2017-2018 revised estimate.

For the health program, a 2% rate increase was implemented by the Board effective July 1, 2018, and no plan changes were made. Thus, the budgeted health contribution was increased by $1.23 million, from the revised 2017-2018 estimate.

ST. LOUIS AREA INSURANCE TRUST
BALANCE SHEETS

	June 30, 2018	June 30, 2017
ASSETS		
INVESTMENTS		
Certificates of deposit		
Unrestricted	**$ 5,884,300**	$ 8,338,168
FNMA, FHLB, FHLMC, and FFCB securities		
Unrestricted	**1,694,240**	3,254,142
Restricted	**500,000**	500,000
	2,194,240	3,754,142
	8,078,540	12,092,310
CASH AND CASH EQUIVALENTS		
Unrestricted	**14,396,492**	10,619,066
Restricted	**560,000**	560,000
	14,956,492	11,179,066
MEMBERS' CONTRIBUTIONS RECEIVABLE	**51,158**	124,416
MEMBER PREMIUMS RECEIVABLE	**-**	89,326
EXCESS REINSURANCE RECEIVABLE	**3,433,439**	4,236,240
ACCRUED INTEREST RECEIVABLE	**27,816**	15,923
	$ 26,547,445	$ 27,737,281
LIABILITIES, SPECIAL FUNDS AND MEMBERS' FUND BALANCE		
LIABILITIES		
Losses and loss-adjustment expenses	**$ 19,512,662**	$ 16,132,202
Return of contributions payable	**1,000,000**	1,258,339
Unearned required contributions	**649,166**	670,902
Members' contributions refundable	**155,850**	107,546
Accounts payable	**456,284**	216,760
	21,773,962	18,385,749
SPECIAL FUNDS - AGGREGATE EXCESS RESERVE	**1,000,000**	1,000,000
MEMBERS' FUND BALANCE	**3,773,483**	8,351,532
	$ 26,547,445	$ 27,737,281

See notes to financial statements.

ST. LOUIS AREA INSURANCE TRUST
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN MEMBERS' FUND BALANCE

	Years Ended June 30, 2018	2017
REVENUES		
Required contributions	**$ 34,361,299**	$ 32,120,174
Premiums ceded - excess reinsurance	**(2,148,474)**	(1,936,822)
	32,212,825	30,183,352
Investment income	**330,298**	200,964
	32,543,123	30,384,316
EXPENSES		
Losses and loss-adjustment expenses	**33,477,558**	30,456,206
Return of contributions	**1,000,000**	1,258,339
Underwriting and risk management expenses	**1,629,703**	1,705,962
Premium taxes	**103,894**	63,365
Second injury fund tax	**680,467**	339,250
General and administrative expenses	**229,550**	367,128
	37,121,172	34,190,250
REVENUES IN EXCESS OF EXPENSES	**(4,578,049)**	(3,805,934)
MEMBERS' FUND BALANCE, Beginning	**8,351,532**	12,157,466
MEMBERS' FUND BALANCE, Ending	**$ 3,773,483**	$ 8,351,532

See notes to financial statements.

ST. LOUIS AREA INSURANCE TRUST
STATEMENTS OF CASH FLOWS

	Years Ended June 30, 2018	2017
OPERATING ACTIVITIES		
Contributions collected	**$ 34,550,451**	$ 30,604,363
Reinsurance premiums paid	**(2,148,474)**	(1,936,822)
Payments received from reinsurers	**1,698,999**	584,156
Losses and loss-adjustment expenses paid	**(30,993,296)**	(33,190,101)
Return of contributions	**(1,258,339)**	(1,000,000)
Underwriting and risk management expenses paid	**(1,629,703)**	(1,705,962)
Premium and second injury fund taxes paid	**(197,306)**	(88,822)
General and administrative expenses paid	**(577,081)**	(687,321)
Investment income receipts	**(179,258)**	(284,585)
Net cash used by operating activities	**(734,007)**	(7,705,094)
INVESTING ACTIVITIES		
Purchase of investments	**(5,171,753)**	(6,071,974)
Proceeds from maturities of investments	**9,683,186**	14,160,801
Net cash provided by investing activities	**4,511,433**	8,088,827
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,777,426**	383,733
CASH AND CASH EQUIVALENTS, Beginning	**11,179,066**	10,795,333
CASH AND CASH EQUIVALENTS, Ending	**$ 14,956,492**	$ 11,179,066
RECONCILIATION OF REVENUES IN EXCESS OF EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Revenues in excess of expenses	**$ (4,578,049)**	$ (3,805,934)
Adjustments to reconcile revenues in excess of expenses to net cash used by operating activities		
Net appreciation in fair value of investments	**(497,663)**	(493,949)
Changes in		
Members' contributions receivable	**73,258**	(80,201)
Member premiums receivable	**89,326**	(89,326)
Excess reinsurance receivable	**802,801**	(4,094,293)
Accrued interest receivable	**(11,893)**	8,400
Losses and loss-adjustment expenses	**3,380,460**	1,944,554
Return of contributions payable	**(258,339)**	258,339
Unearned required contributions	**(21,736)**	(1,143,722)
Members' contributions refundable	**48,304**	(202,562)
Accounts payable	**239,524**	(6,400)
Net cash used by operating activities	**$ (734,007)**	$ (7,705,094)

See notes to financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the financial statements of St. Louis Area Insurance Trust (SLAIT). These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

History and Business Activity

SLAIT is a public entity risk pool serving municipalities in the Metropolitan St. Louis area and is funded by its member participants (29 members in 2018 and 2017). SLAIT operates as a group self-insurer of workers' compensation, liability (auto, general and police) and health coverage for its members and members' employees.

Members are subject to supplemental assessments in the event of deficiencies. If assets of SLAIT were to be exhausted, members would be responsible for SLAIT's liabilities.

In addition to insurance protection, the program provides risk management services with emphasis on loss control, claims administration, and management information services. SLAIT employs outside service companies to provide these services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

The accounts of SLAIT are organized on the basis of membership years, each of which is accounted for separately because the composition of membership may change from year to year.

Concentration of Credit Risk

SLAIT generates receivables from members in the normal course of business. The members are located throughout the Metropolitan St. Louis area. SLAIT does not require collateral to secure receivables from members.

Investments

SLAIT's Board has delegated the authority to maintain and manage investments to the trust's administrators. Accordingly, the administrators have contractual provisions to invest exclusively in: U.S. government obligations, U.S. government agency obligations, U.S. government instrumentality obligations, certificates of deposit, repurchase agreements, and money market mutual funds regulated by the SEC.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Investments are reported at fair value, except for certificates of deposit which are carried at cost. Investments are generally held-to-maturity with investment income recognized when earned. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations without call penalties.

SLAIT encounters certain risks associated with its investment strategies. All investments held by SLAIT are either AAA rated or are insured by the FDIC. In addition, SLAIT has established policies to minimize risk as follows:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. SLAIT minimizes credit risk by:

1. Limiting investments to the safest types of securities.

2. Pre-qualifying the financial institutions, broker/dealers, intermediaries and advisers with which SLAIT will do business.

3. Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. SLAIT minimizes interest rate risk by:

1. Structuring the portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

2. Investing operating funds primarily in shorter-term securities, money market funds, or similar pools.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

SLAIT requires certificates of deposit and repurchase agreements, as well as demand deposits, be collateralized by securities in an amount valued at market equal to or at least one hundred five percent (105%) of the aggregate amount of the investments less the amount, if any, which is insured by the FDIC.

Repurchase agreements in the amount of $14,422,000 and $10,837,000 are included in cash and cash equivalents at June 30, 2018 and 2017, respectively.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Members' Contributions Receivable

Members' contributions receivable are carried net of allowance for doubtful accounts. The allowance for doubtful accounts is increased by provisions charged to expense and reduced by accounts charged off, net of recoveries. The allowance is maintained at a level considered adequate to provide for potential account losses based on management's evaluation of the anticipated impact on the balance of current economic conditions, changes in the character and size of the balance, past and expected future loss experience and other pertinent factors. There was no allowance for doubtful accounts at June 30, 2018 and 2017.

Required Contributions

Member contributions are generally recognized as revenue over the related contract period for which risk protection is provided. Required contributions for workers' compensation are calculated based on experience modifications, payrolls and job classification rates as determined by the Missouri Division of Workers' Compensation. Payrolls are subject to audit and related adjustments to members' contributions resulting from the audits and are accrued as of year end. Members' exposure and past experience is used in determining contributions for liability and health coverage.

Depending on the experience of SLAIT, members may be assessed additional contributions or may receive a return of contributions from surplus membership years. Past members are responsible for additional assessments for applicable years of their membership; however, only current members are eligible for return of contributions. Members are jointly and severally liable for all claims against SLAIT.

Tax Contributions

Tax contributions for Premium Taxes and the Second Injury Fund are recognized as expenses in the period for which related revenues are recognized. Such amounts are calculated based on the current state tax rates. Premium tax contributions were $103,894 and $63,365 for the years ended June 30, 2018 and 2017, respectively. Tax contributions to the Second Injury Fund were $680,467 and $339,250 for the years ended June 30, 2018 and 2017, respectively.

SLAIT is disputing assessments by the Missouri Division of Workers' Compensation (the Division) for Premium Taxes of $26,000 and Second Injury Fund Surcharges of $214,891, which amounts are included in tax contributions for the year ended June 30, 2018. Discussions between SLAIT and the Division are ongoing regarding resolution of the disputed assessments.

Interest Income Allocation

Investment income is allocated by policy year based on an estimated average investment balance for the applicable policy year.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Losses and Loss-Adjustment Expenses

Losses and loss-adjustment expenses are charged to operations as incurred. The liability for losses and loss-adjustment expenses represents the accumulation of estimates for reported unpaid losses and loss-adjustment expenses, plus a provision for losses incurred but not reported. SLAIT's historical experience is not of sufficient duration to develop an estimate of the losses and loss-adjustment expenses liability using only that data. SLAIT utilizes independent actuarial valuation professionals to assist management in establishing an adequate liability. Accordingly, available insurance industry data and assumptions as to expected trends of losses were utilized along with the limited historical experience in estimating loss developments, and in determining the related provision for losses. Such liabilities are necessarily based on estimates and, while management believes that the amount is adequate, there is no reasonable assurance that the ultimate settlement of these liabilities will not be greater than or less than the estimated losses reflected within the financial statements. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in operations currently.

Reinsurance

In the normal course of business, SLAIT seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risks in various areas of exposure with reinsurers.

Amounts recoverable from reinsurers are estimated in a manner consistent with the estimated liability for loss and loss-adjustment expenses associated with the reinsured policy. The effects of changes in estimated amounts recoverable are made in the period in which the changes are determined.

Income Taxes

SLAIT has received a favorable letter of determination from the Internal Revenue Service indicating that the income of SLAIT is excludable from gross income under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the financial statements. SLAIT's tax returns are available for examination by the Internal Revenue Service for the statutory period.

Subsequent Events

SLAIT has performed a review of events subsequent to the balance sheet date through November 27, 2018, the date the financial statements were available to be issued.

NOTE 2 — RESTRICTED ASSETS

Restricted assets include $1,060,000 at June 30, 2018 and 2017, held in escrow by SLAIT for providing supplemental aggregate reinsurance on a self-insured basis (Note 6).

NOTE 3 — FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SLAIT determines the fair values of its financial instruments based on the fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

The following are the major categories of assets measured at fair value on a recurring basis during the years ended June 30, 2018 and 2017:

	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total Fair Value
June 30, 2018				
FNMA Securities	$ -	$ 495,760	$ -	$ 495,760
FHLB Securities	-	699,364	-	699,364
FFCB Securities	-	999,116	-	999,116
	$ -	$ 2,194,240	$ -	$ 2,194,240
June 30, 2017				
FNMA Securities	$ -	$ 249,930	$ -	$ 249,930
FHLB Securities	-	1,946,469	-	1,946,469
FHLMC Securities	-	1,308,230	-	1,308,230
FFCB Securities	-	249,513	-	249,513
	$ -	$ 3,754,142	$ -	$ 3,754,142

All assets have been valued using the market approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. There were no changes in the valuation techniques during the current year.

NOTE 3 — FAIR VALUE MEASUREMENTS (Continued)

Contractual maturities of investments at fair market value as of June 30, 2018 are as follows:

Due in One Year or Less	$ 2,194,240
Due After One Year Through Five Years	-
	$ 2,194,240

NOTE 4 — LOSSES AND LOSS-ADJUSTMENT EXPENSES

The following represents the changes in aggregate liabilities for losses and loss-adjustment expenses:

	Years Ended June 30,	
	2018	2017
Liability for Losses and Loss-Adjustment Expenses at Beginning of the Year	$ 16,132,202	$ 14,187,648
Incurred Losses and Loss-Adjustment Expenses		
Provision for insured events for the current year	29,857,852	26,352,756
Increase in provision for insured events of prior years	3,619,706	4,103,450
Total incurred losses and loss-adjustment expenses	33,477,558	30,456,206
Payments		
Losses and loss-adjustment expenses attributable to insured events of the current year	21,114,211	19,485,830
Losses and loss-adjustment expenses attributable to insured events of prior years	9,879,085	13,704,273
Total payments	30,993,296	33,190,103
Reinsurance Recoverables	896,198	4,678,451
Liability for Losses and Loss-Adjustment Expenses at End of the Year	$ 19,512,662	$ 16,132,202

NOTE 5 — EXCESS INSURANCE COVERAGE

SLAIT maintains excess liability insurance contracts with insurance carriers to provide various coverages for claims exceeding specific retention limits. SLAIT had five workers' compensation claims exceeding per incident retention limits as of June 30, 2018 and 2017. Additionally, SLAIT had five and four general liability claims exceeding per incident retention limits as of June 30, 2018 and 2017, respectively. The estimated excess amounts recoverable totaled $13,890,235 and $15,440,693 as of June 30, 2018 and 2017, respectively. SLAIT also had one individual health claim exceeding per claim retention limits as of June 30, 2017 and none as of June 30, 2018. Right Choice Benefit Administrators reimbursed SLAIT $85,312 and $29,816 on these claims during the years ended June 30, 2018 and 2017, respectively.

NOTE 5 — EXCESS INSURANCE COVERAGE (Continued)

SLAIT's retention limits and reinsurance limits for the years ended June 30, 2018 and 2017 are as follows:

	Retention Limits	Reinsurance Limits
Workers' Compensation	$1,000,000 each incident	Statutory
Employer's Liability Insurance	$1,000,000 each incident	$1,000,000 each incident
General Liability	$600,000 each incident	$2,400,000 each incident
Personal and Advertising Injury	$600,000 each incident	$2,400,000 each incident
Employee Benefit Liability	$600,000 each incident	$2,400,000 each incident
Auto Liability	$600,000 each incident	$2,400,000 each incident
Medical Individual Stop Loss	$300,000 per person	Unlimited
Medical Aggregate Stop Loss	125% of expected losses	$1,000,000 per policy year

In the event that the insurance company might be unable to meet its obligation under the excess insurance contracts, SLAIT and/or its members would be jointly and severally liable for any defaulted amounts.

NOTE 6 — SPECIAL FUNDS - AGGREGATE EXCESS RESERVE

The Board of Trustees approved a self-funded reserve for supplemental aggregate reinsurance coverage. This coverage was funded by 6% of assessed contributions until the cumulative balance reached $1,000,000. This plan has been approved by the Missouri Division of Workers' Compensation in lieu of, or in addition to, purchasing aggregate reinsurance from outside carriers. Such amount included in the escrow account referred to in Note 2 cannot be removed, withdrawn or replaced except upon joint signature of a duly qualified representative of SLAIT and the Director of the Missouri Division of Workers' Compensation. The aggregate balance in the special fund was $1,000,000 at June 30, 2018 and 2017.

NOTE 7 — SURETY BOND

As required by the Missouri Division of Workers' Compensation, SLAIT maintains a $1,500,000 surety bond.

NOTE 8 — FIDELITY BOND

As required by the Missouri Division of Insurance, SLAIT maintains a $1,000,000 fidelity bond.

NOTE 9 — RETURN OF CONTRIBUTIONS

In April 2017, the SLAIT Board of Directors authorized a return of contributions for health policy year 2011 totaling $1,258,339, which were paid out subsequent to June 30, 2017, and accordingly accrued as of such date.

In April 2018, the SLAIT Board of Directors authorized a return of contributions for health policy year 2012 totaling $1,000,000, which were paid out subsequent to June 30, 2018, and accordingly accrued as of such date.

NOTE 10 — UNDERWRITING, RISK MANAGEMENT AND HEALTH PROGRAM SERVICES

Administrative costs incurred with the Daniel and Henry Co. were $190,000 for each of the years ended June 30, 2018 and 2017. Affordable Care Act transitional fees of $19,224 and $116,403 were paid to the Department of Health and Human Services for the years ended June 30, 2018 and 2017, respectively, and are included in general and administrative expenses. General liability and workers' compensation claims servicing costs from Corporate Claims Management, Inc. were $240,000 for the year ended June 30, 2018, and general liability and workers' compensation claims servicing costs from BCA, Inc. were $280,500 for the year ended June 30, 2017. Medical claims servicing, stop-loss coverage and administration costs for HCC Life Insurance Company were $2,058,422 and $2,214,817 for the years ended June 30, 2018 and 2017, respectively.

NOTE 11 — SIGNIFICANT MEMBERS

Approximately 11% of SLAIT's required contributions were generated from one member during the years ended June 30, 2018 and 2017.

NOTE 12 — LITIGATION

In January, 2017, SLAIT settled a claim for the City of Ferguson. That claim had previously resulted in a Federal Court verdict against the City of Ferguson in the amount of $3,000,000. Because of the threat of a consent bad faith judgment for more than $3,000,000 if an appeal was pursued, and because of defense counsel's concern about the chances of winning on appeal, the case was settled for the policy limit. SLAIT paid $3,000,000 and sought reimbursement of $2,500,000 from its reinsurance carrier, Great American Insurance Group (Great American). Great American has declined that reimbursement, claiming it was not timely notified of the claim and lawsuit. The reinsurer who was initially notified of the claim and lawsuit, State Auto Financial Corporation (State Auto), has denied a claim for reimbursement as well.

NOTE 12 — LITIGATION (Continued)

In October 2017, SLAIT filed a lawsuit against State Auto, Great American and SLAIT's former third party claims administrator, Bierman-Condray / BCA, Inc (BCA). SLAIT seeks reimbursement from either State Auto or Great American. In the event that neither would owe for reimbursement of the reinsured amount because of improper notice, SLAIT seeks that reimbursement from BCA, which was responsible for notice. Management feels there is a strong likelihood SLAIT will recover the $2,500,000. Accordingly, the $2,500,000 is included as part of the excess reinsurance receivable at June 30, 2018 and 2017.

There is a declaratory judgment action brought against SLAIT by the City of Ferguson. It arises out of a purported class action brought on behalf of individuals jailed in the City of Ferguson for failing to appear in court to respond to warrants. The suit does not involve a monetary claim against SLAIT. There is a monetary claim in the class action suit against the City of Ferguson. The City of Ferguson asserts that there is coverage for that monetary claim under the SLAIT policy. SLAIT disputes that there is coverage, primarily because of the class action exclusion contained in an endorsement in the policy. SLAIT intends to vigorously pursue this litigation and currently believes that there is a high likelihood that the class action exclusion will be interpreted to preclude coverage for the underlying lawsuit brought against the City of Ferguson. Management believes the outcome of this matter will not have a material impact on SLAIT's financial position.

SUPPLEMENTARY INFORMATION

ST. LOUIS AREA INSURANCE TRUST
LOSS DEVELOPMENT INFORMATION
Policy Years Ended June 30, 2009 Through 2018

The table on page 18 illustrates how SLAIT's earned revenue (net of reinsurance) and compare to related expenses assumed by SLAIT as of the end of each of the past ten policy years. The rows of the table are defined as follows:

(1) Gross required contributions and investment income, and contributions ceded to reinsurers.

(2) General and administrative and loss-adjustment expenses not allocated to individual losses.

(3) Incurred net losses and allocated loss-adjustment expenses (both paid and accrued) as originally reported.

(4) Cumulative amounts paid for losses and allocated loss-adjustment expenses as of the end of successive years.

(5) Reestimated amount of losses assumed by excess insurers or reinsurers as of the end of the current year.

(6) Reestimated net incurred losses and allocated loss-adjustment expenses as of the end of the latest year.

(7) Comparison of the latest reestimated incurred net losses and allocated loss-adjustment expenses to the amount originally reported.

ST. LOUIS AREA INSURANCE TRUST
LOSS DEVELOPMENT INFORMATION (Continued)
Policy Years Ended June 30, 2009 Through 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
(1) REQUIRED CONTRIBUTION AND INVESTMENT REVENUE										
Earned	$ 7,627,595	$ 22,066,752	$ 23,584,050	$ 25,685,800	$ 27,083,385	$ 30,233,455	$ 31,233,017	$ 31,233,017	$ 32,321,138	$ 34,691,597
Reinsurance premiums ceded	(1,026,521)	(1,802,634)	(1,573,852)	(1,504,952)	(1,344,731)	(1,726,023)	(1,866,121)	(1,866,121)	(1,936,822)	(2,148,474)
Net earned	6,601,074	20,264,118	22,010,198	24,180,848	25,738,654	28,507,432	29,366,896	29,366,896	30,384,316	32,543,123
(2) UNALLOCATED EXPENSES	709,384	1,707,170	1,889,846	1,884,408	2,020,604	2,292,431	2,499,458	2,499,458	2,475,705	2,643,614
(3) ESTIMATED LOSSES AND ALLOCATED EXPENSES AS ORIGINALLY REPORTED	4,624,349	16,744,000	17,108,147	19,123,104	22,859,879	23,192,369	24,071,759	25,713,876	26,352,756	29,857,852
(4) PAID (CUMULATIVE)										
End of policy year	1,353,135	12,724,459	12,937,929	14,602,541	17,578,716	17,789,107	17,367,907	19,415,588	19,485,830	21,114,211
One year later	2,723,186	15,320,621	15,042,334	17,043,055	20,479,113	21,059,189	23,089,756	23,547,808	25,414,570	-
Two years later	3,177,449	16,252,530	15,902,418	17,614,452	21,203,991	22,387,408	27,132,603	24,708,673	-	-
Three years later	3,617,482	16,849,297	16,714,640	18,033,156	21,816,376	22,935,005	28,105,535	-	-	-
Four years later	3,845,828	17,432,191	17,157,104	18,346,799	22,289,607	23,205,589	-	-	-	-
Five years later	4,079,661	18,280,166	17,686,871	21,601,600	22,470,923	-	-	-	-	-
Six years later	4,215,709	18,787,806	17,859,124	22,231,323	-	-	-	-	-	-
Seven years later	4,285,380	19,299,128	18,048,112	-	-	-	-	-	-	-
Eight years later	4,345,177	19,773,388	-	-	-	-	-	-	-	-
Nine years later	4,403,805	-	-	-	-	-	-	-	-	-
(5) REESTIMATED CEDED LOSSES AND EXPENSES	-	-	-	-	-	-	-	-	-	-
(6) REESTIMATED LOSSES AND ALLOCATED EXPENSES										
End of policy year	4,624,349	16,744,000	17,108,147	19,123,104	22,859,879	23,192,369	24,071,759	25,713,876	26,352,756	29,857,852
One year later	4,861,713	17,508,511	17,730,196	19,199,796	22,772,862	23,518,124	25,592,076	26,390,317	29,280,892	-
Two years later	4,763,490	17,234,354	17,757,862	18,719,784	22,660,167	24,064,421	27,777,488	26,980,726	-	-
Three years later	4,528,730	17,482,129	17,693,799	18,883,210	22,587,636	24,866,094	29,161,419	-	-	-
Four years later	4,523,943	17,858,734	18,078,592	18,784,145	22,845,444	24,680,818	-	-	-	-
Five years later	4,735,882	18,324,303	18,049,538	19,571,719	22,844,516	-	-	-	-	-
Six years later	4,600,090	18,838,299	18,109,171	19,758,726	-	-	-	-	-	-
Seven years later	4,606,575	19,075,177	18,241,988	-	-	-	-	-	-	-
Eight years later	4,607,177	19,053,423	-	-	-	-	-	-	-	-
Nine years later	4,657,881	-	-	-	-	-	-	-	-	-
(7) INCREASE (DECREASE) IN ESTIMATED LOSSES AND ALLOCATED EXPENSES	33,532	2,309,423	1,133,841	635,622	(15,363)	1,488,449	5,089,660	1,266,850	2,928,136	-

See independent auditor's report.

ST. LOUIS AREA INSURANCE TRUST

LOSS AND LOSS-ADUSTMENT EXPENSES LIABILITIES BY CONTRACT TYPE

	Workers' Compensation		Liability		Health		Total	
	Years Ended June 30,		Years Ended June 30,		Years Ended June 30,		Years Ended June 30,	
	2018	2017	2018	2017	2018	2017	2018	2017
Liability for Losses and Loss-Adjustment Expenses at Beginning of Year	**$ 12,731,573**	$ 6,799,349	**$ 754,182**	$ 4,586,903	**$ 2,646,447**	$ 2,801,396	**$ 16,132,202**	$ 14,187,648
Incurred Losses and Loss-Adjustment Expenses								
Provision for insured events of the current year	**7,895,663**	8,083,046	**2,162,953**	1,764,199	**19,799,236**	16,505,511	**29,857,852**	26,352,756
Increase (decrease) in provision for insured events of prior years	**2,830,394**	6,034,292	**356,685**	(2,284,312)	**432,627**	353,470	**3,619,706**	4,103,450
Total incurred losses and loss-adjustment expenses	**10,726,057**	14,117,338	**2,519,638**	(520,113)	**20,231,863**	16,858,981	**33,477,558**	30,456,206
Payments								
Losses and loss-adjustment expenses attributable to insured events of the current year	**3,145,981**	4,484,019	**225,561**	431,351	**17,742,669**	14,570,460	**21,114,211**	19,485,830
Losses and loss-adjustment expenses attributable to insured events of prior years	**6,050,541**	4,390,167	**1,380,917**	6,870,636	**2,447,627**	2,443,470	**9,879,085**	13,704,273
Total payments	**9,196,522**	8,874,186	**1,606,478**	7,301,987	**20,190,296**	17,013,930	**30,993,296**	33,190,103
Reinsurance Recoverables	**828,222**	689,072	**67,976**	3,989,379	**-**	-	**896,198**	4,678,451
Liability for Losses and Loss-Adjustment Expenses at End of Year	**$ 15,089,330**	$ 12,731,573	**$ 1,735,318**	$ 754,182	**$ 2,688,014**	$ 2,646,447	**$ 19,512,662**	$ 16,132,202

See independent auditor's report.